

2010 Unemployment Insurance Contribution Rates & Wage Base

How is an employer's rate determined each year?

An employer's unemployment insurance (UI) contribution rate is based on each year's Schedule of Contribution Rates and the employer's experience rating history. The Rate Schedule determines the range of contribution rates assigned to all employers each calendar year. The Rate Schedule is determined by the ratio of the UI Trust Fund balance to total wages paid in covered employment in the prior state fiscal year. A higher UI Trust Fund balance results in lower unemployment insurance contribution rates. The following data determined the 2010 rate schedule:

$$\text{Trust Fund Balance/Total Covered Wages} = \text{Ratio}$$

$$\mathbf{\$191,203,922 / \$9,801,416,035 = 0.0195}$$

The Schedule of Contribution Rates shows the range of rates for each rate schedule. For 2010, the ratio of 0.0195 falls within Rate Schedule V (the ratio ranges from 0.0170 to 0.0199).

Employers' rates will range from 0.42% to 6.12%, with an average contribution rate of 1.92%.

Schedule of Contribution Rates

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI
Minimum Ratio of Fund to Total Wages:	(.0260)	(.0245)	(.0225)	(.0200)	(.0170)	(.0135)	(.0095)	(.0075)	(.0050)	(.0025)	(...)
Average Tax Rate:	1.12	1.32	1.52	1.72	1.92	2.12	2.32	2.52	2.72	2.92	3.12
Rate Class	Contribution Rates for Eligible Employers										
1	0.00%	0.00%	0.02%	0.22%	0.42%	0.62%	0.82%	1.02%	1.22%	1.42%	1.62%
2	0.00	0.02	0.22	0.42	0.62	0.82	1.02	1.22	1.42	1.62	1.82
3	0.02	0.22	0.42	0.62	0.82	1.02	1.22	1.42	1.62	1.82	2.02
4	0.22	0.42	0.62	0.82	1.02	1.22	1.42	1.62	1.82	2.02	2.22
5	0.42	0.62	0.82	1.02	1.22	1.42	1.62	1.82	2.02	2.22	2.42
6	0.62	0.82	1.02	1.22	1.42	1.62	1.82	2.02	2.22	2.42	2.62
7	0.82	1.02	1.22	1.42	1.62	1.82	2.02	2.22	2.42	2.62	2.82
8	1.02	1.22	1.42	1.62	1.82	2.02	2.22	2.42	2.62	2.82	3.02
9	1.22	1.42	1.62	1.82	2.02	2.22	2.42	2.62	2.82	3.02	3.22
10	1.42	1.62	1.82	2.02	2.22	2.42	2.62	2.82	3.02	3.22	3.42
Rate Class	Contribution Rates for Deficit Employers										
1	2.92%	3.12%	3.32%	3.52%	3.72%	3.92%	4.12%	4.32%	4.52%	4.72%	4.92%
2	3.12	3.32	3.52	3.72	3.92	4.12	4.32	4.52	4.72	4.92	5.12
3	3.32	3.52	3.72	3.92	4.12	4.32	4.52	4.72	4.92	5.12	5.32
4	3.52	3.72	3.92	4.12	4.32	4.52	4.72	4.92	5.12	5.32	5.52
5	3.72	3.92	4.12	4.32	4.52	4.72	4.92	5.12	5.32	5.52	5.72
6	3.92	4.12	4.32	4.52	4.72	4.92	5.12	5.32	5.52	5.72	5.92
7	4.12	4.32	4.52	4.72	4.92	5.12	5.32	5.52	5.72	5.92	6.12
8	4.32	4.52	4.72	4.92	5.12	5.32	5.52	5.72	5.92	6.12	6.12
9	4.52	4.72	4.92	5.12	5.32	5.52	5.72	5.92	6.12	6.12	6.12
10	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12	6.12

Why did rates increase in 2010?

The economic downturn caused a significant increase in UI benefit payments resulting in a much lower UI trust fund. The trust fund balance is a principal factor in the rate schedule calculation. The trust fund balance on October 31, 2009 was \$191 million whereas on the same date last year, it was \$290 million.

How is each employer's rate determined?

To assign an employer's UI contribution rate, we must determine the employer's reserve ratio. This is the total contributions paid by the employer minus any benefits charged to their account for the period beginning October 1, 1981 through September 30, 2009. The balance (reserve) is divided by the employer's average taxable payroll for the last three completed federal fiscal years (October 1, 2006 - September 30, 2009) to arrive at the employer's reserve ratio. An employer's reserve ratio is calculated each year.

$$\text{Contributions paid - benefit charges} = \text{Reserve}$$
$$\text{Reserve/average taxable payroll} = \text{Reserve ratio}$$

Employers are assigned a rate class and a rate based on their reserve ratio as compared to all other employers' reserve ratios. The highest positive reserve ratio is assigned the lowest contribution rate.

Is there one type of experience-rated account?

There are three types of experience-rated accounts: Eligible, Deficit and New.

Eligible: An eligible employer has been subject (covered) for the entire three federal fiscal years ending September 30 immediately preceding the computation date, and has:

- › filed all required quarterly payroll reports;
- › paid all taxes, penalties and interest;
- › established a positive record (paid more in contributions than the UI benefits charged to their account); and,
- › paid wages in at least 1 of the 8 calendar quarters preceding the computation date.
- › 2010 eligible employer rates range from 0.42% to 2.22%

Deficit: Deficit employers are covered employers who have more UI benefits charged to (paid out of) their account than they have paid in contributions.

- › 2010 deficit employer rates range from 3.72% to 6.12%

New: A new employer has not been subject for the three entire federal fiscal years immediately preceding the computation date and has established a positive record. New employer rates are the average contribution rate for employers in the same industry classification.

- › 2010 new employer rates range from 1.5% to 3.00%

If I owe UI money and had a Penalty Rate in 2009, will I have it again in 2010?

Employers who have a balance due or have not filed all reports when rates are calculated in December will receive a "**penalty rate**". A penalty rate is 50% higher than the employer's computed experience rate. You must resolve all money and report delinquencies to avoid a penalty rate. Resolving delinquent taxes and reports can result in significant savings in 2010.

What is Montana's 2010 Taxable Wage Base?

Montana's 2010 taxable wage base is \$26,000. The taxable wage base is 80% of Montana's average annual wages for the 2nd preceding year, rounded to the nearest \$100. To illustrate: 80% x \$32,528 (2008 average annual wage) is \$26,000 (after rounding to nearest \$100).